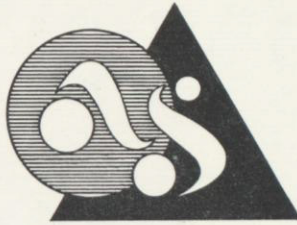


"Automatic" Sprinkler



ANNUAL REPORT

1960

"AUTOMATIC" SPRINKLER CORPORATION OF AMERICA

"Automatic" Sprinkler Corporation of America And Canadian Subsidiary Financial Highlights

	<u>1960</u>	<u>1959</u>	<u>1958</u>	<u>1957</u>	<u>1956</u>	<u>1955</u>	<u>1954</u>	<u>1953</u>	<u>1952</u>	<u>1951</u>
Net Sales	\$23,802,560	\$19,424,365	\$19,069,974	\$25,986,055	\$23,162,413	\$22,908,858	\$22,654,176	\$17,990,869	\$16,171,638	\$14,829,128
Net Income - Loss*	693,013	327,033	259,631*	190,581	821,810	878,150	1,189,156	808,378	1,045,037	629,786
Net Income - Loss*										
Per Share (A)	1.80	.85	.675*	.496	2.14	2.28	3.09	2.10	2.72	1.64
Dividends Declared										
Per Share (A)	.62½	.20	.05	.25	.79	1.08	1.08	.50	.50	.33
Total Dollars Dividends	240,272	76,887	19,221	96,775	304,319	414,680	414,680	192,000	192,000	128,000
Current Assets	9,116,544	9,211,568	7,793,009	8,697,067	9,585,531	8,898,539	8,651,179	7,911,366	7,230,983	6,675,330
Current Liabilities	2,913,153	3,462,396	2,078,162	2,688,985	3,329,031	3,618,306	3,545,042	3,489,929	3,259,963	3,188,590
Net Current Assets	6,203,391	5,749,172	5,714,847	6,008,082	6,254,500	5,280,233	5,096,137	4,421,437	3,971,020	3,486,740
Long Term Debt	500,000	700,000	525,000	825,000	1,134,301	19,089	28,447	154,245	123,603	137,330
Shareholders Equity	8,965,218	8,512,477	8,262,330	8,541,183	8,496,372	8,353,549	7,890,079	7,115,603	6,070,683	5,475,552
Shareholders Equity										
Per Share (A)	23.32	22.14	21.49	22.22	22.10	21.73	20.52	18.51	15.79	14.24
Investment in Property										
Plant & Equip. (Net)	2,301,207	2,295,022	2,173,018	2,499,278	2,413,013	2,283,886	1,909,754	1,538,114	1,228,624	1,061,493
Additions to Property,										
Plant & Equip. (Net)	189,816	301,517	141,261**	278,912	295,374	532,889	449,073	408,701	246,700	196,402
Depreciation and Amortization	183,631	179,513	184,997	192,647	145,696	103,343	120,925	99,211	79,154	71,698

(A) Based on Number of Shares
(384,433) outstanding December 31, 1960

** Denotes Reduction



"Automatic" Sprinkler CORPORATION OF AMERICA

MANUFACTURERS AND INSTALLERS OF APPROVED FIRE PROTECTION EQUIPMENT

GENERAL OFFICES
YOUNGSTOWN 1, OHIO

April 10, 1961

TO THE SHAREHOLDERS OF
"AUTOMATIC" SPRINKLER CORPORATION OF AMERICA

During 1960 the Company continued to improve its earnings picture through increased volume, better profit margins and improved operating efficiency. Supplementing the higher operating profits were certain non-recurring income items which are commented upon in the Review of 1960.

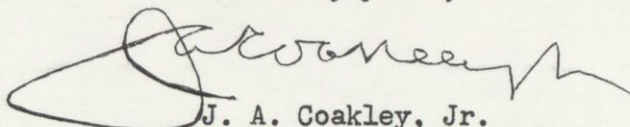
Industrial construction, normally the principal source of new contract business for the sprinkler industry, staged a comeback during 1960. Also there continued a large number of installations in old school buildings during the year. These factors, coupled with an increasingly greater awareness of the hazard of fire on the part of the public, helped to make 1960 a better year for "Automatic" Sprinkler.

Great strides were made during the year by our entire organization in developing new and cheaper techniques for the design and the fabricating of all types of fire protection systems offered by the Company. These improvements were helped greatly by a new and well planned program utilizing modern data processing machines.

Fortunately the Company has not been affected to date by the current general recession, and we are predicting at least as good a year in 1961.

On behalf of the Board of Directors and Officers, may I express thanks to all the people in the Company, and particularly to the shareholders, for their help during 1960.

Sincerely yours,



J. A. Coakley, Jr.
President

JACJr:hm

Review of 1960

SALES AND EARNINGS

Consolidated Net Sales of the Company and its Canadian Subsidiary for the year ended December 31, 1960 total \$23,802,560 as against \$19,424,365 for the preceding year as indicated in Financial Highlights on inside cover of report, along with other important figures covering the past decade.

Consolidated net income for the year 1960 amounted to \$693,013 compared to a net income of \$327,033 in 1959. The 1960 profit was equivalent to \$1.80 per share vs 85¢ per share in 1959. The Statements of Consolidated Income shown on Page 6 include in 1960 under "Other Income" both a non-taxable liquidating dividend received from "Automatic" Finance Corporation of \$240,000 as well as a \$59,500 gain on the disposal of the old Chicago Plant - the latter being taxable at the capital gains rate of 25%.

FINANCIAL CONDITION

The Company's financial strength improved during 1960. Net current assets (Working Capital) increased \$454,220, which resulted in ratio of current assets to current liabilities rising to 3.13 from 2.66 at December 31, 1959. During the year long term debt was decreased by \$200,000 and short term bank loans (including current portion of long term debt due within the year) stood at \$600,000 vs \$958,000 at December 31, 1959. All short term bank loans were retired subsequent to January 1, 1961.

The Shareholders' equity (Book value per Share) stated in Financial Highlights would be somewhat higher if there were to be added to said figure the Company's equity in the net assets of unconsolidated subsidiaries.

Between January 1, 1961 and March 29, 1961, the parent Corporation acquired options to purchase 98,548 shares of its outstanding Common Stock at \$12.50 per share. On March 29, 1961, pursuant to Board of Directors' action, the Company mailed to all shareholders a letter offering to purchase up to 150,000 shares of the Company stock, including shares under option on that date for \$12.50 per share. Financing for said purchase will be carried out through additional bank loans, liquidation of certain branch plants no longer needed, reduction of inventories, and sale of certain long term receivables.

SUBSIDIARIES AND AFFILIATES

Automatic Sprinkler Company of Canada, Ltd., a 100% owned subsidiary, completed its largest volume of business in its entire history during 1960, including three large foam-water contracts in aircraft hangars throughout the Dominion. The Company had a 1960 profit of \$106,570, compared to a loss of \$36,493 in 1959. Both figures are included in the consolidated net income mentioned above.

"Automatic" Finance Corporation, also 100% owned, but not consolidated, earned \$63,570 in 1960. This Company was placed in liquidation during the year and during said period the parent Corporation recovered its entire investment of \$380,000, plus a liquidating dividend of \$240,000. The Company's equity in this subsidiary at December 31, 1960 stood at approximately \$500,000, all of which will eventually pass to the parent Corporation on a non-taxable basis.

Acme Corporation-Fire Protection, 100% owned but not consolidated, lost \$5,418 for the year, and the Company's equity in this subsidiary exceeded its investment of \$50 by the sum of \$42,548 at year end.

"Automatic" Sprinkler Corporation of Venezuela, C.A., which is 51% owned, and its subsidiaries operating in Argentina, Brazil and Mexico, will have a consolidated loss in 1960 despite increased activity in all four countries. Audit statements for these companies have not been completed to date and therefore the extent of the loss has not been determined.

Mr. J. J. Power, Jr., Executive Vice President, who has been actively supervising all four companies recently, states their business outlook for 1961 is much better than a year ago, and reorganization plans are under way to make all four companies direct subsidiaries of the parent Corporation. Ansul Fire Extinguishers continue to be manufactured and sold under license in Brazil and Argentina and are assembled by the Mexican Company. In addition, the companies in Argentina, Brazil and Mexico manufacture Marley Cooling Towers which are sold through separate sales companies owned jointly by The Marley Company and "Automatic" Sprinkler of Venezuela.

American Automatic Sprinkler Company, Pty. Ltd. of Sydney, Australia, which is 25% owned, continued to show a profit and will pay a 10% dividend again this year. At the present time Mr. C. B. Miller, Jr., Manager of Foreign Operations is visiting in Australia on a round-the world trip.

SALES AND OPERATIONS

1960 was a better year all around than 1959. Larger billings resulted in higher operating earnings. Profit percentages on new business booked were maintained at the levels reached in 1959, mainly through selective bidding. All departments remained fully active throughout the entire year. Operating efficiencies were improved as the District Managers gained further experience with the new procedures introduced in 1959. Also district organizations were strengthened throughout the Company during the year and several new Contract Sales Representatives commenced a Training Course. Some of these men are already located in District Offices where they are undergoing the final phases of the program.

The new fabricating facilities at Guntersville, Alabama were in full operation throughout most of the year. It is the most modern shop of its kind in the United States. Your Board of Directors held its monthly meeting there in March of this year. Plans are now under way to modernize the Company's other fabricating shops, utilizing the Guntersville layout and type of equipment. Certain manufacturing operations are also being carried on at the Alabama location.

"Auto-Grip" Division sales rose 65% in 1960 and continue to show further increases in 1961 as the product line is broadened and new outlets are established.

Considerable development work took place during the year on the new pipe joining device and experimental models are now undergoing field tests. We have greater confidence than ever that this will prove to be a revolutionary development for the Company and for the piping industry.

EMPLOYEE AND PUBLIC RELATIONS

During 1960 the Company's agreement with the AFL-CIO United Steelworkers for its Youngstown plant employees was renewed until September 30, 1962. For the first time the Company and the Union departed from the area pattern of wages set by Big Steel. Fringe benefits were improved but no wage increase took place. The contract provides for a reopening on the matter of wages in August 1961.

The Company's relations with the United Association of Pipe Fitting Trades carried on through the National Automatic Sprinkler and Fire Control Association continued good throughout the year.

In December 1960 a formal retirement plan for Salaried Employees in the U.S.A. was completed and now awaits approval by Internal Revenue Service authorities.

The Service Award Program was continued in 1960 with 56 employees joining the Fifteen Year Group. Also in December 1960 a communication program was instituted consisting of a monthly Newsletter and a periodic digest of company news items. Both have met with great acceptance.

A full time Advertising Manager was again appointed during the year, which has effected a greatly improved Public Relations Program.

DIVIDENDS

The Company paid a dividend of \$0.62½ per share during 1960 vs \$0.20 per share for the year 1959. A quarterly dividend of \$0.15 per share was paid on March 31, 1961. Future dividends will depend on earnings and also on limitations imposed in Long Term Loan now being arranged.

CONSOLIDATED

"AUTOMATIC" SPRINKLER
AND CANADIAN

December 31, 1960,

ASSETS

	<u>DEC. 31, 1960</u>	<u>DEC. 31, 1959</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 859,711	\$ 464,865
Trade notes and accounts receivable, less allowance (1960 - \$39,900; 1959 - \$39,034)	3,466,362	2,802,426
Estimated recoverable federal and dominion taxes on income, arising from carry-back of operating loss	-0-	9,000
Costs of uncompleted contracts in excess of related advance payments (1960 - \$3,038,533; 1959 - \$2,175,562)	2,505,737	3,163,625
Inventories of raw materials, factory work in process, finished parts and supplies - at approximate costs which were not in excess of market	2,208,152	2,693,706
Prepaid expenses	76,582	77,946
TOTAL CURRENT ASSETS	\$ 9,116,544	\$ 9,211,568
<u>INVESTMENTS AND OTHER ASSETS</u>		
Investments:		
Capital stock and debentures - subsidiary companies - Note B	\$ 41,584	\$ 366,584
Investments in and advances to affiliated companies - at cost - Note C	724,703	508,704
Notes, accounts and installment contracts receivable (portion due after one year)	208,658	314,834
Miscellaneous receivables, advances, etc.	89,753	96,544
TOTAL INVESTMENTS AND OTHER ASSETS	\$ 1,064,698	\$ 1,286,666
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Land - at cost	\$ 267,593	\$ 286,493
Buildings (1960 - \$1,883,548; 1959 - \$1,879,291) and equipment - at cost	\$ 4,052,618	\$ 3,870,869
Less allowances for depreciation	2,019,004	1,862,340
TOTAL PROPERTY, PLANT, AND EQUIPMENT	\$ 2,301,207	\$ 2,295,022
<u>PATENTS AND MANUFACTURING RIGHTS -</u> at cost, less amortization	33,707	13,851
	<u>\$12,516,156</u>	<u>\$12,807,107</u>

BALANCE SHEETSCORPORATION OF AMERICA
SUBSIDIARY

and December 31, 1959

LIABILITIES, CAPITAL STOCK, AND SURPLUS

	<u>DEC. 31, 1960</u>	<u>DEC. 31, 1959</u>
<u>CURRENT LIABILITIES</u>		
Bank overdraft	\$ -0-	\$ 208,251
Notes payable to banks	400,000	550,000
Accounts payable and accrued expenses	1,853,973	2,225,480
Estimated additional cost of service, replacements, etc. on contract work completed	52,843	43,805
Advance payments on uncompleted contracts in excess of related costs	58,367	51,954
Federal and dominion taxes on income - estimated	347,970	182,906
Portion of long-term debt due within one year	200,000	200,000
TOTAL CURRENT LIABILITIES	\$ 2,913,153	\$ 3,462,396
<u>LONG-TERM DEBT</u>		
Term bank loan, due in quarter-annual install- ments of \$50,000 to June 15, 1964, interest varying from 3 3/4% to 5 1/2% - Note D	500,000	700,000
<u>DEFERRED INCOME</u>	137,785	132,234
<u>CAPITAL STOCK AND SURPLUS</u>		
Common Stock, par value \$10.00 per share: Authorized 500,000 shares; issued and out- standing 414,680 shares, including 30,247 shares in treasury - Note E	\$ 4,146,800	\$ 4,146,800
Earned surplus (restricted in the amount of \$423,458 representing the cost of Common Stock in treasury) - Note D	5,241,876	4,789,135
	\$ 9,388,676	\$ 8,935,935
Less Common Stock in treasury - 30,247 shares at cost	423,458	423,458
TOTAL CAPITAL STOCK AND SURPLUS	\$ 8,965,218	\$ 8,512,477
	<u>\$12,516,156</u>	<u>\$12,807,107</u>

See notes to consolidated financial statements.

STATEMENTS OF CONSOLIDATED INCOME AND EARNED SURPLUS

"AUTOMATIC" SPRINKLER CORPORATION OF AMERICA AND CANADIAN SUBSIDIARY

Years ended December 31, 1960, and December 31, 1959

	<u>INCOME</u>	
	1960	1959
Net sales and services	\$23,802,560	\$19,424,365
Cost of goods and services sold	<u>19,784,757</u>	<u>16,161,783</u>
	\$ 4,017,803	\$ 3,262,582
Selling, administrative, and general expenses	<u>3,173,332</u>	<u>2,774,428</u>
	\$ 844,471	\$ 488,154
Other income:		
Dividends received from "Automatic" Finance Corporation	\$ 240,000	\$ 25,000
Gain on disposal of capital assets	69,229	3,239
Miscellaneous	<u>42,581</u>	<u>52,299</u>
	\$ 351,810	\$ 80,538
	\$ 1,196,281	\$ 568,692
Other deductions:		
Interest	\$ 81,674	\$ 43,743
Miscellaneous	<u>-0-</u>	<u>52,373</u>
	\$ 81,674	\$ 96,116
INCOME BEFORE TAXES ON INCOME AND INCOME TAX CREDITS	\$ 1,114,607	\$ 472,576
Federal and dominion taxes on income:		
Provision for the year	\$ 429,000	\$ 180,000
Income tax credits:		
Overprovision of income taxes for prior years	\$ 7,406	\$ 25,457
Dominion income tax credit arising from carry-back of operating loss - estimated	<u>-0-</u>	<u>9,000</u>
	\$ 7,406	\$ 34,457
	\$ 421,594	\$ 145,543
NET INCOME	<u>\$ 693,013</u>	<u>\$ 327,033</u>
Provision for depreciation of property, plant, and equipment amounted to	\$ 183,631	\$ 179,513
	<u>EARNED SURPLUS</u>	
Balance at beginning of year	\$ 4,789,135	\$ 4,538,989
Net income for the year	<u>693,013</u>	<u>327,033</u>
	\$ 5,482,148	\$ 4,866,022
Cash dividends paid - \$.625 in 1960; \$.20 in 1959	<u>240,272</u>	<u>76,887</u>
Balance at end of year	<u>\$ 5,241,876</u>	<u>\$ 4,789,135</u>

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

"AUTOMATIC" SPRINKLER CORPORATION OF AMERICA AND CANADIAN SUBSIDIARY

December 31, 1960

=====

Note A - The consolidated balance sheet at December 31, 1960, includes net current assets in the amount of \$1,205,688 and property, plant, and equipment, and miscellaneous other assets (net) in the amount of \$248,462 as recorded in Canadian dollars on the subsidiary's books. Consolidated net income for the year includes net income of \$106,570 for the subsidiary.

Note B - The parent Corporation's equity in the net assets at December 31, 1960, and net income for the year ended December 31, 1960, of the unconsolidated subsidiary companies, as shown by reports of such companies, amounted to \$568,686 and \$58,152, respectively. Net income for the year includes \$240,000 for liquidating dividends received from one subsidiary.

Note C - The ultimate realization of investments in and advances to affiliated foreign companies (principally in Brazil and Venezuela) depends to a great extent upon exchange fluctuations and restrictions and the effect of unsettled conditions upon normal operations. For these reasons the Corporation cannot presently estimate the extent to which its investment in such foreign companies may or may not be impaired.

Note D - In connection with the term bank loan the Corporation has agreed that it will not, without prior written consent of the bank, declare or pay cash dividends in excess of 50% of consolidated net earnings after January 1, 1959, plus \$300,000. Consolidated earned surplus in the amount of \$492,865 was free of these restrictions at December 31, 1960.

The Corporation has also agreed among other things to maintain an excess of consolidated current assets over total consolidated liabilities of \$4,000,000 and to certain restrictions on capital expenditures, acquisition of its own stock, and guarantees and advances for subsidiary and affiliated companies.

Note E - Subsequent to December 31, 1960, the parent Corporation acquired options to purchase 57,365 shares of its outstanding Common Stock at \$12.50 per share.

Note F - The parent Corporation has in effect a pension plan for its union employees at its Youngstown, Ohio plant, all costs of which are paid by the Corporation. Charges to income under the plan amounted to \$62,684 for 1960, and \$16,994 for 1959. The estimated unfunded past service liability under the plan, which may be funded over a period of years, amounts to approximately \$534,000 at December 31, 1960.

On December 20, 1960, the Board of Directors of the parent Corporation approved a funded non-contributory pension plan covering salaried employees effective as of July 1, 1960. Charges to income during the year amounted to \$34,319. An actuary has reported to the Corporation that the past service costs of the plan amounted to approximately \$664,000 at December 31, 1960. It is estimated that the minimum annual contribution under the plan will amount to approximately \$68,000.

Note G - The parent Corporation is contingently liable to guarantor of bank credit extension to "Automatic" Sprinkler Corporation of Venezuela, C. A. of approximately \$120,000 at current exchange rates.

ERNST & ERNST

UNION NATIONAL BANK BUILDING

YOUNGSTOWN 1, OHIO

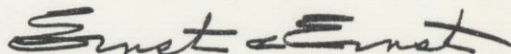
ACCOUNTANTS-AUDITORS
MANAGEMENT SERVICES

OFFICES IN PRINCIPAL CITIES
ASSOCIATES IN FOREIGN COUNTRIES

Board of Directors
"Automatic" Sprinkler Corporation
of America
Youngstown, Ohio

We have examined the consolidated balance sheet of "Automatic" Sprinkler Corporation of America and Canadian subsidiary for the year ended December 31, 1960, and the related statements of consolidated income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, with the explanation contained in Note C to the consolidated financial statements, the accompanying balance sheet and statements of income and earned surplus present fairly the consolidated financial position of "Automatic" Sprinkler Corporation of America and Canadian subsidiary at December 31, 1960, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Youngstown, Ohio
March 3, 1961

"AUTOMATIC" SPRINKLER CORPORATION OF AMERICA

DIRECTORS

*John A. Coakley, Jr.
Joseph C. Coakley
Thomas F. Coakley
*Edward J. Egan
*W. Yost Fulton

*Thomas E. Morton
Michael O. O'Neil
*John J. Power, Jr.
Harry N. Rider

*Members of Executive Committee

OFFICERS

John A. Coakley, Jr.	President and Treasurer
John J. Power, Jr.	Executive Vice President
Harry N. Rider	Vice President, Manufacturing & Engineering
Lewis C. Zimmermann	Secretary & Assistant Treasurer
Joseph C. Coakley	Assistant Secretary
James A. McDermott	Assistant Secretary & Assistant Treasurer

GENERAL COUNSEL

Squire, Sanders & Dempsey

AUDITORS

Ernst & Ernst

GENERAL OFFICE

Jones & Brittain Streets, Youngstown 1, Ohio

